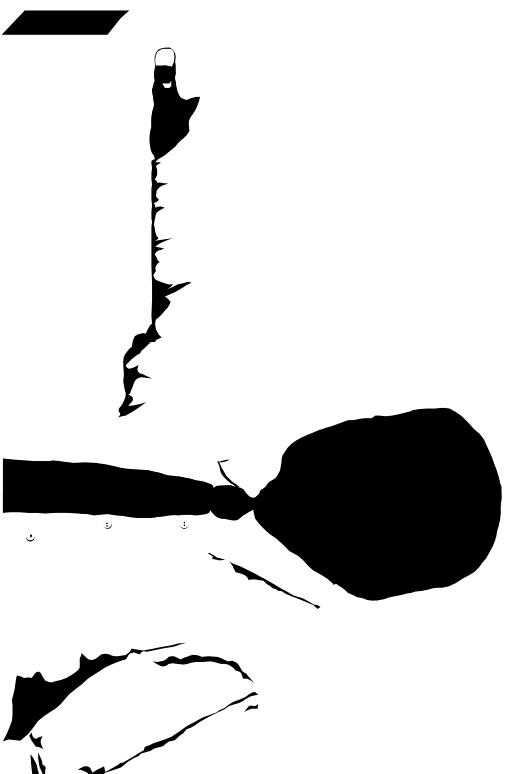

Contract Negotiation Techniques

Negotiation Preparation

Chapter 3



Federal Acquisition Institute
General Services Administration

Importance of Preparation

- **Cannot be overstated**
- **Must be prepared to be effective**
- **Contractors are generally better prepared**

Organize Negotiation Team

- Typical Team members
 - Price analyst
 - Technical representative
 - Auditor or attorney
- Chief Negotiator
 - Usually CO or GS-1102
 - Does most of bargaining
 - Serves as chairperson

Identify Issues and Objectives

- **Issues: Likely areas of disagreement**
- **Target price**
 - **Sum of cost element estimates**
 - **Fair and reasonable AND flexible**
- **Other negotiation objectives**

Research Contractor's Probable Approach

- **Goals and priorities**
 - **Price issues**
 - **Non-price issues/needs**
- **Past styles and tactics**
- **Pressures and constraints**

Assess Bargaining Power

- **Assess both sides**
- **Elements:**
 - **Competition**
 - **Knowledge**
 - **Time constraints**
 - **Bargaining skills**
 - **Importance of the contract**
 - **Degree of risk aversion**

Establish Priorities and Positions

- **Classify issues**
 - **Must points**
 - **Give points**
 - **Avoid points**
 - **Bargaining points (range of possible position)**
- **Rank issues**

Establish Price Range

- **Minimum**
 - Lowest fair & reasonable price consistent with a win/win outcome
 - Avoid arbitrary amount
 - “Opening Position”
- **Maximum**
 - Highest fair & reasonable price
 - Available funding or ceiling price

Develop Negotiation Approach

- **Determine order of discussion**
- **Rehearse potential concessions**
- **Plan tactics**
(Generally avoid application of win/lose tactics)

Develop Overall Plan

- **Draft a negotiation plan**
- **Brief management**
- **Prepare agenda**
- **Rehearse Plan**
- **Kickoff briefing**